



EMPLOYEE BULLETIN

file personnel

EB No. 1055

3 November 1983

CURRENT CONGRESSIONAL INITIATIVES INVOLVING FEDERAL EMPLOYEE BENEFITS AND ALLOWANCES

REFERENCE: EB No. 999 dated 18 February 1983

1. Recently, there has been considerable attention given by both the Administration and the Congress to issues involving Federal employee benefits and allowances. This bulletin updates information on these issues for Agency employees.

2. The referenced employee bulletin outlined changes that were being proposed to Social Security and the Civil Service Retirement System (CSRS). Those changes involved extending Social Security coverage to all newly hired civilian employees of the Federal Government, modifying the CSRS by raising the age requirement for voluntary retirement from 55 to 65, increasing employee deductions for retirement from 7 percent to 9 percent to 11 percent, modifying the annuity formula, and increasing penalties for early retirement. Subsequently, only changes in coverage under the Social Security system were enacted and, as of 1 January 1984, all newly hired Federal employees will receive mandatory coverage under Social Security. No legislation has been enacted to implement any of the other changes to CSRS which were proposed earlier. Further, there are varying views as to what scope and direction such modifications should take. Thus, it now appears that action on these matters is not likely at this time.

3. At the present time, the Congress is directing its attention toward amending existing legislation that requires Federal workers hired after 31 December 1983 to be covered under both the CSRS and the Social Security system. Unless amendatory legislation is enacted prior to 1 January 1984, total salary withholdings for employees hired on or after this date will include 5.4 percent for Social Security in addition to the current 1.3 percent for Medicare and 7 percent for CSRS, or a total of 13.7 percent of gross annual salary. (Social Security and Medicare withholdings are applied to a specified annual amount. Currently such withholdings are made for the first \$35,700 of gross annual salary.) An

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59

interim proposal is now being considered by the Administration and the Congress which would offer some relief to this problem, pending development by the Congress of a retirement program to supplement Social Security coverage. Although full details are not available, the interim measure would have new employees covered under both Social Security and CSRS. Total withholdings for this coverage would not exceed contributions being made by current employees. Efforts are underway to enact appropriate legislation prior to the next congressional recess scheduled for 18 November 1983. IT SHOULD BE NOTED HERE THAT CURRENT EMPLOYEES AND EMPLOYEES HIRED PRIOR TO 1 JANUARY 1984 ARE NOT SUBJECT TO SOCIAL SECURITY OR THE DUAL WITHHOLDING. For current employees and those hired prior to 1 January 1984, salary withholding contributions will remain at 7.0 percent for retirement and 1.3 percent for Medicare.

4. In conjunction with the 1 January 1984 mandated Social Security coverage, the Congress also has begun a study to define alternatives available from which ultimately to choose a supplemental Government-wide retirement plan for enactment into law. It is intended that the supplemental retirement plan, when combined with the benefits of the existing Social Security program, will provide a satisfactory overall level of retirement income. A final determination regarding the provisions of a supplemental retirement program will not be made until late 1984 or early 1985. Thus, at this time any more definitive information on the impact a supplemental Government-wide retirement plan will have on current or future employees cannot be provided.

5. In the area of employee health benefits, several bills have been introduced in the Congress this year that would modify the current system. However, here again there are strong differences as to what specific action should be pursued and it appears that the Administration and the Congress will not agree on any significant changes to the existing Federal Health Benefits Program in the near future.

6. It is recognized that employee benefits are important issues which both employees and Agency management view with extreme concern. Employees should be assured that the Agency is doing everything possible to protect current benefits and to look at enhancements where appropriate. To ensure that the Agency stays current in these activities, representatives from the Office of Personnel and the Office of Legislative Liaison have been attending related congressional committee meetings and maintaining direct contact with appropriate staff officials. The Agency also has contracted with Hay Associates, a prestigious consulting firm in the benefits arena, to review current programs and provide assistance in developing alternative options for consideration by Agency management. Lastly, additional resources have been committed within the Office of Personnel to coordinate these activities and deal exclusively with any new benefits proposals. The results of these efforts will be communicated to employees as they occur.

DISTRIBUTION: ALL EMPLOYEES (1-6)